

Message Text

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TO AMEMBASSY MOSCOW IMMEDIATE

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FOR THE AMBASSADOR

E.O. 11652: N/A

TAGS: UR, US

SUBJECT: REUTER DISPATCH ON JOHN CONNOR COMMENT

REF: STATE 009431

TEXT OF SUBJECT FOLLOWS:

QUOTE: BY PATRICK WORSNIP

-- MOSCOW, JAN.L5, REUTER - A LEADING U.S.

TRADE OFFICIAL IN MOSCOW TODAY DESCRIBED THE SOVIET

UNION'S REJECTION OF THE 1972 TRADE AGREEMENT WITH

THE UNITED STATES AS A "TEMPORARY SETBACK."

MR. JOHN CONNOR, HEAD OF THE MOSCOW OFFICE OF THE

U.S. - U.S.S.R. TRADE AND ECONOMIC COUNCIL, TOLD

REUTERS HE THOUGHT THE SOVIET MOVE "FULLY JUSTIFIED"

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BECAUSE THE AGREEMENT CALLED FOR UNCONDITIONAL ELIMINA-

TION OF DISCRIMINATORY TRADE RESTRICTIONS.
U.S. SECRETARY OF STATE HENRY KISSINGER ANNOUNCED
LAST NIGHT IN WASHINGTON THAT THE KREMLIN HAD TURNED
DOWN THE ACCORD BECAUSE TARIFF AND CREDIT CONCESSIONS
IN THE RECENTLY-PASSED U.S. TRADE BILL WERE TIED TO
UNACCEPTABLE DEMANDS THAT RUSSIA ALLOW MORE JEWS TO
EMIGRATE.
BUT THERE WAS NO IMMEDIATE CONFIRMATION FROM
SOVIET OFFICIALS OF THE REPORTED KREMLIN DECISION. A

FOREIGN MINISTRY SPOKESMAN SAID HE HAD NO COMMENT
AND THERE HAS BEEN NO MENTION OF THE DEVELOPMENT IN
THE NEWS MEDIA.
MR. CONNOR SAID: "I SEE THE REJECTION AS A
TEMPORARY SETBACK IN A LONG-TERM DEVELOPMENT WHICH
IS POSITIVE.

"I WOULD EXPECT PRESIDENT FORD TO GO BACK TO
CONGRESS AND PUT IN A NEW BILL. I THINK THAT BEFORE
THE END OF 1975 WE WILL HAVE MOST FAVORED NATION
TRADING STATUS FOR THE SOVIET UNION," HE ADDED.
MR. CONNOR SAID HE HOPED AND EXPECTED THAT THE
NEW DEVELOPMENT WOULD HAVE NO IMMEDIATE EFFECT ON
THE 17 U.S. COMPANIES ACCREDITED IN MOSCOW DESPITE
THE FACT THAT THEIR ACCREDITATION WAS PROVIDED FOR
UNDER THE 1972 AGREEMENT.
HE SAID HE DID NOT EXPECT DEALS CURRENTLY UNDER
NEGOTIATION TO BE AFFECTED, BUT HE CAUTIONED THAT
AMERICAN FIRMS COULD FIND THEMSELVES IN TROUBLE "IF
THIS THING IS NOT WORKED OUT BY THE END OF THE
YEAR."

"THE RELATIONSHIP WHICH EACH OF THE COMPANIES
HAS WORKED HARD TO ESTABLISH WITH THE SOVIETS SHOULD
NOT BE AFFECTED," MR. CONNOR DECLARED.
HE NOTED, HOWEVER, THAT U.S.-SOVIET TRADE IN
1974 HAD NOT MADE GAINS OVER THE 1973 LEVEL IN THE
WAY THAT THE TRADE OF WEST GERMANY, JAPAN AND OTHER
COMPETITORS OF THE U.S. HAD DONE AND SAID THIS SEEMED
TO REFLECT THE CONTROVERSY OVER THE TRADE BILL.
IN RECENT WEEKS, THE SOVIET UNION HAS WARNED ON
SEVERAL OCCASIONS THAT THE RESTRICTIONS IN
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THE BILL -- INTRODUCED BY CONGRESS WITH THE AIM OF
EASING SOVIET EMIGRATION POLICIES -- LOWERED THE
COMPETITIVENESS OF THE U.S. AGAINST WESTERN EUROPEAN
COUNTRIES AND JAPAN.
THIS WAS SEEN AS A CLEAR HINT THAT THE SOVIET
UNION COULD TAKE ITS BUSINESS ELSEWHERE.
MANY WESTERN OBSERVERS IN MOSCOW HAD BEEN
SUGGESTING THE SOVIET UNION MIGHT DECIDE TO RENOUNCE

THE TRADE AGREEMENT FOLLOWING A KREMLIN STATEMENT
ON DECEMBER 18 REJECTING THE CONGRESSIONAL AMENDMENTS
TO THE BILL AS UNACCEPTABLE.

THE STATEMENT WAS ISSUED ON THE EVE OF THE
PASSAGE OF THE BILL THROUGH THE SENATE AND THE HOUSE
OF REPRESENTATIVES IN WASHINGTON AND SUPPORTERS OF
THE AMENDMENTS SAID AT THE TIME THEY BELIEVED THE
RUSSIANS WERE BLUFFING.

THERE WAS NO IMMEDIATE REACTION TODAY FROM SOVIET
JEWISH ACTIVISTS WHO WERE STRONG SUPPORTERS OF THE

AMENDMENTS -- INTRODUCED BY DEMOCRATIC SENATOR HENRY
JACKSON OF WASHINGTON -- AND WHO HAD HOPED ITS PASSAGE
WOULD ALLOW THEM TO OBTAIN EXIT VISAS TO ISRAEL.

DESPITE MR. CONNORS OPTIMISTIC STATEMENT, SOME
OBSERVERS IN MOSCOW SAID THE REJECTION OF THE AGREE-
MENT WAS LIKELY TO EXCLUDE AMERICAN BUSINESS FROM
ANY MAJOR PARTICIPATION IN SOVIET DEVELOPMENT PLANS
AT LEAST FOR THE NEXT FIVE OR SIX YEARS.

THIS YEAR IS THE LAST OF THE CURRENT FIVE-YEAR
PLAN AND SOVIET ECONOMISTS ARE ALREADY WELL ADVANCED
IN THEIR PROGRAMMING FOR THE 1976-80 PERIOD. END
QUOTE. KISSINGER

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